

**MINUTES
of the
SECOND MEETING
of the
TRANSPORTATION INFRASTRUCTURE REVENUE SUBCOMMITTEE**

**July 1, 2015
State Capitol, Room 307
Santa Fe**

The second meeting of the Transportation Infrastructure Revenue Subcommittee was called to order by Senator John Arthur Smith, chair, on Wednesday, July 1, 2015, at 9:33 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Sen. John Arthur Smith, Chair
Rep. Rick Little, Vice Chair
Rep. Cathrynn N. Brown
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Patricio Ruiloba
Sen. Clemente Sanchez

Absent

Advisory Members

Sen. Jacob R. Candelaria
Sen. Carlos R. Cisneros
Rep. Sharon Clahchischilliage
Rep. David M. Gallegos
Rep. Bealquin Bill Gomez
Rep. Patricia A. Lundstrom
Rep. Rod Montoya
Rep. Jane E. Powdrell-Culbert

Rep. D. Wonda Johnson
Rep. Paul A. Pacheco
Sen. William H. Payne
Sen. William E. Sharer

Guest Legislators

Sen. Pete Campos
Sen. Nancy Rodriguez
Rep. Jeff Steinborn

Staff

Mark Edwards, Legislative Council Service (LCS)
Pam Stokes, LCS
Taylor Smith, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file and are posted on the legislature's web site.

Wednesday, July 1

The meeting began with the chair generally discussing the need for the state to provide recurring dollars for road infrastructure. The chair acknowledged that increasing gasoline taxes is a controversial issue, and he stated that the subcommittee is looking at alternative revenue sources.

Local Governments Road Fund — Department of Transportation

Dolores Gallegos, director, Project Oversight Division, Department of Transportation (DOT), began her presentation with an overview of the Local Governments Road Fund (LGRF). The LGRF provides funds that allow local entities to take the lead in developing construction and maintenance projects. The state provides up to a 75% funding match for LGRF projects. For the last five fiscal years, LGRF revenues have averaged \$23 million, most of which is derived from portions of the diesel fuel tax and the petroleum products loading (PPL) fee. (See the DOT handout for a complete list and breakdown of LGRF funding sources.)

Ms. Gallegos said that the LGRF is primarily distributed through four programs:

- 1) the Cooperative Agreement Program receives 42% of LGRF distributions and provides for collaborative projects with municipalities, counties and other political subdivisions. Funds in this program are allocated in accordance with differing categories of political subdivisions (e.g., municipalities, counties, etc.);
- 2) the County Arterial Program receives 26% of LGRF distributions and supports construction of county roads. Counties prioritize their projects and receive funding through a funding formula based on the road mileage that is maintained by each county;
- 3) the School Bus Route Program receives 16% of LGRF distributions and provides matching funding for acquisition and maintenance of school bus routes and public school parking lots; and
- 4) the Municipal Arterial Program (MAP) receives 16% of distributions and is primarily used to fund projects for streets that are principal extensions of rural state highways. Priority is given to projects that receive at least 25% municipal matching funding.

Ernest Archuleta, director, Operations Support Division, DOT, next noted a change in the disbursement policy. In the past, LGRF projects have included some projects that were not shovel-ready. The resulting delays in initiating projects led to a growing balance in the LGRF of unused funds. This past year, the DOT started requiring projects to be shovel-ready prior to disbursement, and the LGRF balances are projected to return to historic norms. Project completion rates have risen to 98% since the change in policy.

The subcommittee then entered into general discussion. A concern was raised that the total amount for the MAP is not large. Mr. Archuleta indicated that the limited funding is why the MAP funds are almost exclusively used for road maintenance instead of construction. It was also noted that local matching funding must come from local revenues; capital outlay funds are not allowed to be used for local matching funds.

Two other issues raised during the discussion were the allocation of funds per county and how information is disseminated to the local school districts regarding the School Bus Route Program. Ms. Gallegos said that the DOT meets with each school district semiannually to let district officials know about the application process and the funds available. However, this funding is greatly dependent on the statutory mandates for each program. Mr. Archuleta noted that some programs are required to evenly distribute funds among counties or school districts. He said that the strict requirements contribute to funding challenges in completing some projects.

Turning to funding sources for local roads and school bus routes, a subcommittee member noted that the larger share of the PPL fee was not dedicated to roads, but had been redirected to underground storage tank concerns. Another subcommittee member raised the issue of whether supplemental severance tax bond revenues currently dedicated to school construction should also be available for school bus route funding.

Town of Silver City

Alex C. Brown, town manager, Silver City, and James R. Marshall, assistant town manager, Silver City, presented on the challenges that face Silver City's transportation infrastructure and economic growth. The Town of Silver City has 76 miles of streets, five miles of which are unpaved, and a population of just over 10,000. Silver City also serves as a regional hub for over 63,000 people. Four significant contributors to the traffic demand on Silver City's streets and local highways are:

- 1) the Chino Mine, the second-largest copper production operation in North America, which uses a large fleet of heavy shipment trucks;
- 2) the Gila National Forest and Gila Wilderness, which attract large numbers of tourists annually;
- 3) Western New Mexico University, with a total of more than 4,400 students and faculty; and

4) Silver City's function as a regional shopping hub.

Silver City faces two particular challenges for maintaining and updating its transportation system. First, the existing infrastructure was designed with a poor drainage system. Every street project, therefore, requires costly upgrades to the sewer system in addition to the primary upgrade. Second, Silver City has a large elderly population that needs different mobility options. The Town of Silver City has partnered with the University of New Mexico and Woodbury University to develop an architecture program to analyze and develop beneficial projects that incorporate complete street principles and provide "no car needed" development where possible.

Turning to funding issues, the presenters said that Silver City has been proactive in planning for shovel-ready projects. However, planning is now averaging a two-year lead time over available funding, causing cost estimates to be out of date when construction funding becomes available. They noted that both federal and state road funding have been decreasing in recent years. Silver City has sought both community development block grant funding and colonias infrastructure project funding to help pay for materials, but both sources have restrictions on usage. (See handout for a graph of Silver City's financial structure.)

A subcommittee member asked about the contribution of the local gasoline tax distribution to Silver City's budget picture. The presenters said that the contribution is very limited. The Town of Silver City is receiving about \$3.00 per mile of needed street construction, so it uses this money for pre-engineering studies. A subcommittee member also suggested that a local option fuel tax for diesel might help communities in Grant County, given the large truck fleet for the Chino Mine.

City of Santa Rosa

Joe Campos, mayor, Santa Rosa, and Tim Dodge, city manager, Santa Rosa, presented on behalf of the City of Santa Rosa. Santa Rosa has a population of more than 2,700 people and has 12.77 miles of streets. It is a highway crossroads, receiving significant tourist and trucking traffic from U.S. Interstate 40, U.S. Highway 91, U.S. Highway 84 and U.S. Highway 54. Mayor Campos stated that Santa Rosa is in need of \$6 million for road construction and maintenance. He noted that municipal street reconstruction is costly because projects are required to include the water and wastewater utility lines beneath the road. He said that revenues from the gasoline tax had been flat for many years but construction costs have continued to climb. The result for a city like Santa Rosa is a projected annual shortfall of \$400,000 between revenue and needed road construction and maintenance.

Mayor Campos said that Santa Rosa has become creative in finding opportunities for economic development. The city is known for its lakes, and it has succeeded in building a tourism and family recreation industry centered on them. The City of Santa Rosa has invested in a diving center where divers travel from around the country to be certified in diving and in an inflatable water park for family recreation. Mr. Dodge noted that aside from diversifying Santa Rosa's economy, investment in the lake facilities has also benefited the city's finances. The city

has raised over \$200,000 in an eight-week period, solely through parking fees at the lake facilities. Mr. Dodge said that development planning in Santa Rosa had become a multi-entity effort with the county, schools and other entities joining in a dialogue.

Several subcommittee members inquired about which options the City of Santa Rosa would support to increase funding for roads. Subcommittee members asked whether the city would support a two-cent local increase in diesel fuel, an across-the-board increase in state gasoline taxes, toll roads or a change in the gross receipts tax (GRT) formula.

Mayor Campos said that the residents of Santa Rosa would likely support some sort of increase in fuel taxes if they could be guaranteed that the increase would go to road repair. He likened the discussion to the decision to spend money on the lake facilities. He said that the decision had garnered support because residents had realized the potential return on the investment. Mr. Dodge responded that a concern with the GRT option is the number of exemptions. He said that the hotel and restaurant service industry is generating most of the local GRT, but the industry does not have many high-paying jobs.

City of Carlsbad

Wesley Carter, Carlsbad city councilor, Ernie Carlson, chair of the Mayor's Road Committee, and Shannon Summers, local development coordinator, all from the City of Carlsbad, gave the presentation. Southeastern New Mexico has experienced an economic boom driven by the oil and gas industry. This has resulted in a large increase in road use by fleets of heavy trucks that transport oil and the water used in oil extraction. The increase in traffic has damaged local roads and created safety hazards.

Ms. Summers said that the City of Carlsbad has established a program called "This is My Carlsbad Road" to develop information on road conditions and safety issues and to encourage a sense of community investment in the road system. "This is My Carlsbad Road" is an interactive program that garners resident input on dangerous roads through social media interaction. Photographs and comments on road conditions commonly reported to the program include worn or washed-out pavement, no shoulders or space to pull over in an emergency and steep roadside ditches. Councilor Carter said that the combination of heavy road traffic and steep roadside ditches is creating rollover accidents. He explained that traffic is likely to increase with a proposed potash plant in Lovington. Ms. Summers added that oil production in the Permian Basin is expected to peak in 2026 and then remain steady for the following 20 years.

Mr. Carlson stated that the mineral extraction industry, principally oil production, is a major component of the state's economy and that taxes on production provide close to one-third of the state's revenues. With this in mind, he argued that the state needs to reinvest a greater proportion of those revenues into the roads of oil-producing communities.

In the ensuing discussion, subcommittee members noted that regionally prioritizing funding is contentious, and road safety is an issue for several communities in the state. The

presenters were asked if the residents in Carlsbad would support a dedicated tax for road funding. Mr. Carlson said that there had been 112 fatal accidents in the community over the last three years, so he felt that there would be some support for a change in the GRT or a fuel tax if road funding was guaranteed. Councilor Carter agreed that a dedicated purpose in proposed tax alterations would be the key to garnering support. A subcommittee member said that, along with a statewide guarantee, any legislation should include guidelines so that communities faced with unsafe roads would be assured of road improvements.

Several subcommittee members remarked that generating public discussion about the road system is needed statewide in order to comprehensively address the state's transportation needs.

Approval of Minutes

The minutes of the subcommittee meeting on June 1, 2015 were approved without opposition.

General Aviation Airports — Status Update

Steve Summers, director, and Dan Moran, grants administrator, Aviation Division, DOT, gave a presentation on aviation services in New Mexico. Mr. Summers began the presentation by discussing the importance of aviation. Aviation provides emergency evacuation, firefighting and law enforcement services. It also supports tourism, military training, commercial business and agriculture. Mr. Summers said that the division contracts for a study of the condition of New Mexico's airports every five years. The next report will be ready in 2016. The report issued in 2009 indicated that 48,000 jobs are affected by the aviation industry.

Mr. Summers said that the Aviation Division provides support for 54 publicly owned public-use airports and heliports in New Mexico. The majority of the airports are currently operating at about 60% of capacity. While the division maintains two state-owned airports, the Conchas Lake Airport and the Navajo Lake Airport, its primary functions lie in training; managing state and federal grant funding for aviation infrastructure; and in regulatory and safety programs. The Aviation Division does not provide funding for the Albuquerque International Sunport. The division and its programs are funded through the nonreverting State Aviation Fund. The State Aviation Fund is primarily derived from GRT revenue from jet fuel. The fund has been able to maintain an average balance of \$6 million annually.

Mr. Summers said that enhancing safety is the Aviation Division's first priority for infrastructure funding, with particular focus on the condition of runway pavement. The division provides planning and technical support for developing and maintaining the state's airports. The program relies heavily on Federal Aviation Administration (FAA) grants for infrastructure, although state funding through the State Aviation Fund helps leverage federal funding. In fiscal year 2015, the Aviation Division issued \$10.3 million in state infrastructure improvement grants, and the FAA program provided over \$15 million in grants through its Airport Improvement Program. Mr. Summers said that the overall need for aviation infrastructure improvements is

approximately \$240 million, but the program is averaging \$20 million annually to meet that need.

The Aviation Division safety and regulatory functions include registration of airplanes, regulation of airports and the provision of seminars on safety and compliance with airport regulations.

A recent challenge to the aviation industry is an FAA regulation that increases the flight hours required for licensing pilots to 1,500 hours. As a result, there are fewer available pilots and fewer service flights. This has come at a time when the number of passengers has increased.

Subcommittee members raised several concerns about the volume of demand required to keep air service operations open. Mr. Summers responded that, in general, the demand is adequate. The required demand includes daily and weekly service, but also includes the need for periodic emergency services and fire suppression support. Mr. Summers also mentioned that recreational use for smaller airports is growing, and New Mexico is pursuing a model created by the State of Idaho to expand the aviation recreation industry. He said that the direct Santa Fe-to-Los Angeles service has been discontinued, but it could be regained with adequate subsidies.

Adjournment

There being no further business before the subcommittee, the subcommittee adjourned at 3:45 p.m.